

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4136-11
BILL NO.: SCS for HS for HCS for HB 1762
SUBJECT: Agriculture and Animals; Economic Development; Taxation and Revenue
TYPE: Original
DATE: May 3, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue*	(\$292,090)	(\$1,568,092) to (\$1,778,092)	(\$1,274,406) to (\$1,484,406)
Missouri Agricultural Products Marketing Development	\$0	\$0	\$0
State Fair Fee	\$4,876	\$13,194	\$13,194
Total Estimated Net Effect on <u>All</u> State Funds*	(\$287,214)	(\$1,554,898) to (\$1,764,898)	(\$1,261,212) to (\$1,471,212)

* Subject to Appropriation

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses
This fiscal note contains 13 pages.

FISCAL ANALYSIS

ASSUMPTION

Neighborhood Assistance Program; Sec. 32.105 & Sec. 32.110:

Officials from the **Department of Economic Development (DED)** stated this expands neighborhood assistance to include farmer's markets. It appears to allow "for profit farmers markets" to qualify for NAP tax credits.

The DED assumed the program revisions to allow "for profit" farmers markets to qualify for NAP credits can be incorporated with existing staff. No fiscal impact is anticipated by the DED because the NAP credits are capped at a set amount.

Officials from the **Department of Revenue** anticipated an increase in the number of neighborhood assistance credits, however, the increase is unknown. The Division of Taxation, Personal Tax Bureau, will need one temporary tax season employee (a cost of \$6,067) for every 130,000 credits filed with this credit (key entry) and one Tax Processing Tech I for every 2,000 credits claimed (processing). The Personal Tax Bureau will also need one Tax Processing Tech I for every 30,000 additional errors generated. The Division of Taxation, Business Tax Bureau, will need one Tax Processing Tech I for every 3,680 credits received.

Oversight assumes the Department of Revenue could request additional FTE to process the additional tax credits if the need arises, but for purposes of this fiscal note, the DOR is assumed to have no additional costs from this proposal.

Oversight assumes the part of the proposal that expands NAP credits would not have a fiscal impact on the state since the Neighborhood Assistance Program credits are capped and this would only add a different clientele to be eligible to receive the credits. Oversight assumes this part of the proposal simply earmarks \$2.5 million per fiscal year for fiscal years 2002 to 2006 out of the Neighborhood Assistance Program total to go towards agricultural purposes.

Rural Housing Development Revolving Loan Pilot Program; Sec. 135.813 & Sec. 620.1350:

In response to a similar proposal from this year, officials from the **Department of Economic Development (DED)** state this legislation would establish single-family housing development programs in the state. This legislation would establish a revolving loan program for the new construction of affordable single-family houses. Each loan could be no more than \$70,000 per house. The loans must be made to non-profit corporations. This program creates a tax credit to

ASSUMPTION (continued)

any taxpayer that provides funds to the department to establish this program not to exceed a specified total. Upon the sale of the home, all proceeds shall be used to build another house or repay the original loan. All homes must be sold at cost plus a \$2,500 administration fee per house. All homes must be sold to qualifying low and moderate-income persons and families as defined in Section 215.101.

The DED expects to be able to administer this program with existing staff. The DED also assumes that the administration of the program would be delegated to the Missouri Housing Development Commission.

The **Department of Revenue (DOR)** states this part of the legislation requires the Department of Economic Development to establish rural housing development programs and authorizes a tax credit for funds provided for the establishment of these programs. DOR also state they are unable to determine the implementation costs of the verification and taking of the credit as the proposal is written.

Oversight assumes the implementation of the tax credits could be completed with existing resources by both the Department of Economic Development and the Department of Revenue. Oversight has also ranged the fiscal impact of this part of the proposal as a reduction of income from \$0 to \$210,000 in fiscal years 2002 and 2003.

AgriMissouri Marketing Program; Sec. 261.032 to Sec. 261.038:

The **Department of Agriculture (AGR)** states this proposal would improve consumer awareness of and preference for Missouri-produced or processed agriculture products. The AGR assumes that in order to accomplish the directives outlined in the proposal, the Market Development Division will need an additional two FTE, along with appropriate monies for equipment and expenses and development of a web site. The AGR assumes the need for one (1) Agriculture Promotion Specialist (at \$27,468 annually) and one (1) Program Coordinator (at \$40,536 annually) to be company and distributor contacts, perform promotion and product identification, conduct consumer surveys, create and submit statewide promotional ideas, development of matching funds program and administration of an e-commerce site.

The AGR also could not provide an estimate of how much revenue would be generated from the Producer's Choice trademark fees.

In response to similar legislation from this year, officials from the **Office of Secretary of State (SOS)** assumed there would be costs due to additional publishing duties related to the Department of Agriculture's authority to promulgate rules, regulations, and forms. The SOS ASSUMPTION (continued)

estimates the division could require approximately 28 new pages of regulations in the Code of

State Regulations at a cost of \$26.50 per page, and 42 new pages in the Missouri Register at a cost of \$22.50 per page. Costs due to this proposal is estimated to be \$1,687, however, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal; however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Oversight assumes the General Assembly would appropriate \$1,300,000 in FY 2002 and \$1,000,000 in FY 2003 to the Missouri Agricultural Products Marketing Development Fund. Oversight also assumes the revenue generated from the Producer's Choice trademark fees would be unknown and the Department of Agriculture would spend the entire appropriations and trademark fee revenues in those years on the two FTE required for this proposal as well as promotional expenditures and e-commerce expenses.

Organic Farming, Sec. 261.110:

Officials from the **Department of Agriculture (AGR)** stated this would require them to certify organic producers (farmers) to enable them to label, advertise and sell their produce, commodities, etc. as organic products. The AGR stated this proposal will enable organic growers to sell their products at more retail locations, such as farmers markets, grocery stores, etc. It will provide a niche market for them and possibly a better price for their products. It will also encourage increased production of organic acres and will encourage a direct market from organic producers to consumers and/or other organic producers or processors.

The AGR stated there are approximately 2,000 organic producers in Missouri and the potential number would likely increase with state certification. The AGR assumed this will require record keeping, inspection, etc. To administer this proposal, the AGR assumed the need for one Program Coordinator (at \$40,536 annually) and four Field Inspectors (each at \$32,952 annually). The Program Coordinator will be responsible for administering this program, developing organic standards and carrying out these standards to certify Missouri organic producers. The inspectors will be responsible for on site inspection of organic producers and would be housed at regional ASSUMPTION (continued)

offices.

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The AGR states that the same Program Coordinator requested for the AgriMissouri labeling program could not also coordinate the Missouri organic producers program and have requested two separate positions.

Oversight assumes the Department of Agriculture would not need additional rental space for the 5 FTE requested for this part of the proposal.

State Fair Fee Fund; Sec. 262.260:

The **Office of the State Treasurer** assumes their agency would not be administratively impacted by this proposed legislation. The **Department of Revenue** assumes there would be little or no administrative impact to their agency.

The **Office of Administration (OA)** assumes their agency would not be administratively impacted by this proposed legislation; however, they indicate that this legislation would impact total state revenue. **OA** assumes this legislation would increase total state revenue due to the receipt of contributions and gifts.

Officials from the **Department of Agriculture** assume interest revenue of \$4,876 in 2001, \$13,194 in 2002 and 2003 would be credited to the State Fair Fee Fund. AGR officials state the current State Fair Fees Account is actually treated as a fund for all practical purposes with balance carry overs between fiscal years and earmarking of use of funds. Therefore, no impact would result from changing the name to the State Fair Fees Fund, other than the retention of interest earnings noted above.

Noxious Weeds; Sec. 263.232:

Officials from the **Office of the Lieutenant Governor**, the **Office of State Courts Administrator**, the **Office of the State Auditor**, the **State Tax Commission**, the **Gaming Commission**, the **Office of Administration - Division of Design and Construction**, the **Department of Agriculture**, the **Department of Insurance**, the **Department of Economic Development - Division of Motor Carrier and Railroad Safety**, the **Department of Health**, the **Department of Labor and Industrial Relations**, the **Office of the State Treasurer**, the **Office of the Secretary of State**, the **Office of the Governor**, the **Department of Revenue**, the **University of Missouri**, the **Missouri House of Representatives**, **Missouri Western State**

ASSUMPTION (continued)

College and the **City of Kirksville** assumed they would not be fiscally impacted by this proposed legislation.

Officials from the **City of West Plains** assume there could be some costs involved in reference to eradication, but they do not expect these costs to have a significant fiscal impact on the City.

Officials from the **Department of Higher Education** noted that they do not own land that may contain these weeds. Additionally, they noted that there could be a fiscal impact on higher education institutions to the extent that they own affected lands.

Officials from the **Department of Elementary and Secondary Education** assume their agency and state board operated schools would have the duty of eradicating the spread of teasel and kudzu on their property. They assume the fiscal impact will not be in excess of \$100,000. Additionally, in reference to local impact, all school districts would have the duty of eradicating teasel and kudzu on their property. The Department assumes the cost to control such weeds could be in excess of \$100,000 statewide.

Officials from the **Department of Mental Health** assume their Department has approximately 254 acres of ungroomed property which would all need to be treated to ensure compliance. The cost of treatment is \$22 per acre with treatment continuing every other year. Therefore, the Department assumes per year, annualized costs of \$2,794 (254 acres X \$22 per acre divided by 2).

Officials from the **Department of Public Safety** noted that they do not know the impact of this proposed legislation on the Department because they do not know the costs that would be incurred in reference to controlling the spread of or eradicating these noxious weeds. Additionally, the Department noted that they do not know whether these weeds will return once they are eliminated. Therefore, officials from the Department assume the fiscal impact is unknown.

Officials from the **Department of Social Services - Division of Research and Evaluation** assume they would not be fiscally impacted by this proposed legislation. Officials from the **Division of Youth Services** assume costs related to controlling and eradicating cut-leaf teasel, common teasel and kudzu vine on properties owned and maintained by the Division are immaterial and can be absorbed into the maintenance budget.

Officials from the **Department of Natural Resources** assume that since they own property the Department would be subject to the provisions of the proposed legislation. The Department has had instances of sightings and eradication of cut-leaved teasel, but they have been able to handle

ASSUMPTION (continued)

them with existing resources. The Department is not aware of any common teasel or kudzu growing on any of their state property. Therefore, they do not anticipate any fiscal impact from this proposal.

However, if cut-leaved teasel, common teasel or kudzu are identified on any of the Department's property and they are required to eradicate it, the Department may pursue resources through the normal budget process.

Officials from the **Department of Conservation** assume the costs to control the spread of and to eradicate cut-leaved teasel, common teasel and kudzu vine would be less than \$15,000 per year.

Officials from the **Department of Corrections** stated they would comply with this proposal, but the costs to comply are unknown. If the Department incurs costs, they may have to pursue resources through the normal budget process.

Officials from the **Department of Transportation** (MoDOT or MHTC) assume cut-leaved teasel, teasel, and kudzu out breaks have been identified in all 10 of the MoDOT Districts. The total acreage affected is calculated to be 52 acres of kudzu and the total acreage affected by cut-leaved teasel and teasel is calculated to be 1,072 acres.

Since cut-leaved teasel, teasel, and kudzu can spread by seeds, but also spreads by runners and rhizomes, it will be necessary to spray the infested area to kill the plant. The type of herbicide for controlling kudzu is different than the herbicide for controlling cut-leaved teasel and teasel. On kudzu outbreaks, it will be necessary to kill everything and then replant the area to establish vegetation.

The estimated cost for the herbicide to treat one acre kudzu will be approximately \$20 per acre. With 52 acres at \$20.00 per acre, the cost to eradicate the kudzu will be \$1,040.

The estimated cost for the herbicide to treat one acre of cut-leaved teasel and teasel will be approximately \$13 per acre. With 1,072 acres at \$13.00 per acre, the cost to eradicate the teasel will be \$13,936.

The state wide average cost in 1998 for establishing native plants on MHTC right-of-ways is \$543.92 per acre. Since the kudzu sites will require re-vegetation, the cost to replant vegetation is \$28,284 (52 acres at \$543.92 per acre).

Therefore, the total cost to eradicate the teasel and kudzu and replant vegetation is \$43,260 for

ASSUMPTION (continued)

FY 01, \$44,557 for FY 02 and \$45,894 for FY 03.

Total costs for noxious weeds are indicated as zero to reflect a decision made by the Oversight Subcommittee on February 1, 2000 in reference to a similar proposal (HB 1395).

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<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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GENERAL REVENUE FUND

<u>Costs</u> - Appropriation to Missouri agricultural products marketing development fund	\$0	(\$1,300,000)	(\$1,000,000)
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—SUBJECT TO APPROPRIATION—

<u>Costs</u> - Department of Economic Dev.			
Tax credits for contributions to the rural housing dev. revolving loan pilot program	\$0	\$0 to (\$210,000)	\$0 to (\$210,000)

<u>Costs</u> - Department of Agriculture			
Certification of Organic Farms			
Personal Service (5 FTE)	(\$147,152)	(\$181,069)	(\$185,596)
Fringe Benefits	(\$45,249)	(\$55,679)	(\$57,071)
Expense and equipment	(\$94,813)	(\$18,150)	(\$18,545)
Total <u>Costs</u> - AGR	(\$287,214)	(\$254,898)	(\$261,212)

<u>Loss</u> - Department of Agriculture			
Discontinuance of State Fair Fee Acct	(\$4,876)	(\$13,194)	(\$13,194)

ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	(\$1,568,092) to (\$292,090)	(\$1,274,406) to (\$1,778,092)	(\$1,484,406)
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<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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MISSOURI AGRICULTURAL PRODUCTS MARKETING DEVELOPMENT FUND

<u>Income</u> - Transfer from the General Revenue Fund	\$0	\$1,300,000	\$1,000,000
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<u>Income</u> - Fees from usage of AgriMissouri trademark	\$0	unknown	unknown
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<u>Costs</u> - Department of Agriculture			
Personal Service (2 FTE)	\$0	(\$71,447)	(\$73,233)
Fringe Benefits	\$0	(\$21,970)	(\$22,519)
Expense and Equipment	\$0	(\$79,919)	(\$25,674)
Total <u>Costs</u> - Department of Agriculture	\$0	(\$173,336)	(\$121,426)

<u>Costs</u> - other expenditures for the promotion of AgriMissouri program	\$0	(unknown)	(unknown)
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ESTIMATED NET EFFECT TO THE MISSOURI AGRICULTURAL PRODUCTS MARKETING DEVELOPMENT FUND	\$0	\$0	\$0
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STATE FAIR FEE FUND

Income - Department of Agriculture			
Creation of State Fair Fee Fund	\$4,876	\$13,194	\$13,194

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

A fiscal impact to business that make contributions to neighborhood organizations as well as small agricultural businesses could be expected as a result of this proposal.

DESCRIPTION

This proposal permits new generation cooperatives formed in Missouri to participate in the Neighborhood Assistance Act.

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Organizations which perform community service or economic development activities are permitted to qualify as neighborhood organizations under the act by contributing to the construction of a building used to sell agricultural food products produced in Missouri by members of a new generation cooperative, but are limited to \$2.5 million in tax credits for fiscal years 2002 through 2006. Under the act, business firms making contributions to neighborhood organizations receive tax credits.

This proposal also requires the Department of Economic Development to establish the "Rural Housing Development Revolving Loan Pilot Program Fund" that will consist of moneys provided by taxpayers to support the program. Taxpayers may receive a 50% tax credit by investing into the fund, with a maximum credit given in any fiscal year of \$210,000. The effective date of the tax credit is January 1, 2002, and shall apply to all tax years after December 31, 2001. The program authorizes no-interest loans for the construction of single family homes. The maximum loan shall be \$70,000.

APPLICATIONS - Any non-profit organization may apply to the Department of Economic Development for funding. The Department will make the loans according to need. The Department may require an expiration date of the loan, progress reports and inspections of the construction sites.

REVOLVING FUND - Loans are to be put in a revolving fund to build homes one at a time, as they are sold.

CONSTRUCTION - Homes shall be constructed only where water and sewer services are available. All homes are to be constructed according to rural development building standards of the United States Department of Agriculture (USDA).

SALE - Homes are to be sold at cost plus a \$2,500 fee for any construction supervisor hired. Priority shall be given to low and moderate income families. Every sales contract shall contain an anti-speculation clause to deter buyers from reselling the home solely to make a profit.

DESCRIPTION (continued)

The proposal also creates the "Missouri Agricultural Products Marketing Development Fund" to market and promote products of Missouri. The proposal calls appropriation of \$1.3 million for fiscal year 2002, \$1.0 million in fiscal year 2003, and \$750,000 in fiscal years 2004 through 2006 to use for purposes of Missouri agricultural products marketing development.

The proposal creates, within the Department of Agriculture, the Citizens' Advisory Commission for Marketing Missouri Agricultural Products. This commission shall establish guidelines for the spending by the Marketing Division of the department, and will focus on the promotion of

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the Producer's Choice Missouri agricultural products as well as other agriculture marketing advancement initiatives.

The commission shall also establish a fee structure for sellers electing to use the AgriMissouri (or successor trademark) associated with Missouri agricultural products. The fee structure will be one-half of one percent of the aggregate amount of all the seller's wholesale sales of products carrying the trademark. The commission may also create two additional trademark labels to be associated with Missouri agricultural products which are certified organic products and certified family farm produced products.

The commission will be comprised of nine members, with specified experiences in marketing and farming. The commission members shall receive no compensation but shall be reimbursed for actual and necessary expenses.

The Marketing Division of the Department of Agriculture is also to develop a web site to foster the marketing of value added agriculture products over the internet.

The proposal also requires the Department of Agriculture to develop standards and labeling for organic farming.

This proposal also creates the "State Fair Fee Fund" which shall receive admission fees as well as other sales revenues generated by the Missouri State Fair. After necessary expenses, the balance of the fund shall be invested by the State Treasurer. Any income from investments shall be retained in the fund.

Current law requires the Director of Revenue to deposit any admission fees and revenues from sales to the credit of the "State Fair Fee Account" in General Revenue.

This proposal also requires persons, corporations, partnerships, the state highway and transportation commission, state agencies, county commissions, township boards, school boards, drainage boards, railroad companies, governing bodies of incorporated cities, other transportation
DESCRIPTION (continued)

companies and persons supervising state-owned lands to control the spread of and eradicate by methods approved by the Department of Agriculture cut-leaved teasel (*Dipsacus laciniatus*), common teasel (*Dipsacus fullonum*) and kudzu vine (*Pueraria lobata*) which are designated as noxious and dangerous weeds to agriculture.

This legislation is not federally mandated, would not require additional capital improvements or rental space, and does not duplicate any programs already in place.

SOURCES OF INFORMATION

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Department of Agriculture
Department of Conservation
Department of Corrections
Department of Economic Development
Division of Motor Carrier and Railroad Safety
Department of Elementary and Secondary Education
Department of Health
Department of Higher Education
Department of Insurance
Department of Labor and Industrial Relations
Department of Mental Health
Department of Natural Resources
Department of Public Safety
Department of Revenue
Department of Social Services
Division of Research and Evaluation
Division of Youth Services
Department of Transportation
Gaming Commission
Missouri House of Representatives
Missouri Western State College
Office of Administration
Division of Design and Construction
Office of the Governor
Office of the Lieutenant Governor
Office of the Secretary of State
Office of the State Auditor
Office of State Courts Administrator
Office of the State Treasurer

SOURCES OF INFORMATION (continued)

State Tax Commission
University of Missouri
Cities of Kirksville, West Plains

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A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large, looped initial "J" and a cursive "Jarrett".

Jeanne Jarrett, CPA
Director
May 3, 2000